



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

Mark E. Fesmire, P.E.
Director
Oil Conservation Division

December 3, 2007

Black Hills Gas Resources
c/o Mr. William F. Carr
Holland & Hart, LLP
P.O. Box 2208
Santa Fe, NM 87504

Administrative Order NSL-4355-A

Re: Mallon/Jicarilla Consolidated Contract Area

Dear Mr. Carr:

Reference is made to the following:

(a) your application (**administrative application reference No. pTDS07-226136466**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico, on behalf of Black Hills Resources (Black Hills), on September 17, 2007,

(b) your supplemental letter date November 27, 2007, and

(b) the Division's records pertinent to this request, including the Division's records pertinent to Administrative Order NSL-4355.

In this application, Black Hills seeks to amend Administrative Order NSL-4355, dated September 7, 1999, as previously amended by Corrected Administrative Order NSL-4355, dated October 29, 2002, (the original order). The original order granted Mallon Oil Company (predecessor in title to Black Hills) blanket authority to drill and complete wells at unorthodox locations in gas pools spaced on 160 acres from the surface to the base of the Pictured Cliffs formation, within the area described in Ordering Paragraph (2) of the original order, which was designated the "Mallon/Jicarilla Consolidated Contract Area." This application seeks amendment of the original order to include in the designated Mallon/Jicarilla Consolidated Contract Area, all of Section 3, Township 30 North, Range 3 West, NMPM, in Rio Arriba County, New Mexico.

Your application on behalf of Black Hills has been duly filed under the provisions of Division Rules 104.F and 1210.A(2).

It is our understanding that Section 3-30N-3W is a part of the Mallon/Jicarilla Consolidated Contract Area and was inadvertently omitted from the description in Ordering Paragraph (2) of the original order.

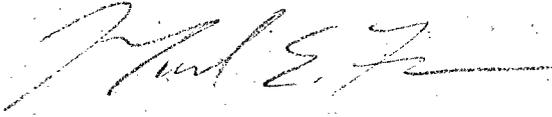
It is also understood that notice of this application to offsetting operators or owners is unnecessary because working interest ownership in Section 3 is identical with that in the offsetting sections.

Pursuant to the authority conferred by Division Rule 104.F(2), Ordering Paragraph (2) the original order is hereby amended to include in the lands described therein, in addition to the lands set forth in the original order, all of Section 3, Township 30 North, Range 3 West, NMPM, in Rio Arriba County, New Mexico.

Except as hereby amended the original order shall remain in full force and effect.

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,



Mark E. Fesmire, P.E.
Director

MEF/db

cc: New Mexico Oil Conservation Division - Aztec
United States Bureau of Land Management - Farmington